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FM AMEMBASSY SEOUL
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6484
INFO RUCNKOR/KOREA COLLECTIVE PRIORITY
RUACAAA/COMUSKOREA INTEL SEOUL KOR PRIORITY
RHMFISS/COMUSKOREA J5 SEOUL KOR PRIORITY
RHMFISS/COMUSFK SEOUL KOR PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L SEOUL 001956

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E.O. 12958: DECL: 12/15/2029
TAGS: [PREL](#) [ECON](#) [EFIN](#) [SOCI](#) [KN](#) [KS](#) [CH](#)
SUBJECT: AMBASSADOR'S DECEMBER 14 LUNCH WITH UNIFICATION
MINISTER HYUN

REF: SEOUL 01921

Classified By: Ambassador D. Kathleen Stephens. Reasons 1.4 (b/d).

Summary

1. (C) Unification Minister Hyun In-taek confirmed to the Ambassador on December 14 that the ROK will soon provide 500,000 doses of antiviral drugs to the DPRK to help it handle an H1N1 outbreak. Hyun said the Ministry of Unification (MOU) plans to increase the budget for DPRK-related activities in 2010 in three areas: health-related projects including treatment of multi-drug resistant tuberculosis (TB), nutritional and medicinal assistance for children and pregnant women, and reforestation projects. The DPRK's new currency has not yet been widely distributed in rural areas, perhaps out of fear of triggering unrest, according to Hyun. Hyun justified the ROK's tough stance on food aid to the DPRK as necessary because Pyongyang used food as a weapon against its own people. A North-South joint economic delegation was now in China looking at a Special Economic Zone (SEZ) in Qingdao and would also visit Vietnam. Hyun agreed that the role of women in North Korea, including as potential agents of change, deserved greater attention. End summary.

Tamiflu Delivery by December 18

2. (C) During a December 14 lunch hosted by Ambassador Stephens, Unification Minister Hyun In-taek confirmed the ROK will help the DPRK deal with its H1N1 outbreak by providing 400,000 doses of the antiviral drug Tamiflu and 100,000 doses of Relenza (zanamivir), which is used to treat H1N1 patients who do not respond to Tamiflu. Hyun said the drugs cost approximately USD 15 million; trucks will deliver the 11 tons of medicine by Friday to the Kaesong Industrial Complex (KIC). Because the shipment is "medicine, not rice," the ROKG is not insisting on stringent monitoring; it is not even a vaccine and is only used once ill. Hyun added that the MOU planned to boost spending in 2010 on major DPRK health issues, specifically focusing on nutritional supplements for children, pregnant women, and the elderly, and for treating TB and multi-drug resistant TB, as well as for DPRK reforestation projects. These kinds of projects, Hyun suggested, were less vulnerable to being diverted to support for Pyongyang ruling elites.

Currency Reform Halt: Fear of Unrest

3. (C) According to Minister Hyun, the DPRK's effort to replace its currency has apparently stalled. New bank notes have not yet been distributed in rural areas, where the

public distribution system has not functioned for years and where unofficial markets (jang ma dang) provide people with a place to buy food and basic necessities. Hyun asserted that the new currency has not been distributed in rural areas, perhaps out of fear of triggering unrest. The currency replacement scheme was also not going well in major urban areas. The minister related that, even in the regime bastions of Pyongyang and Kaesong, residents had reportedly been paid "bonuses" of 500 North Korean won (equivalent to about one month's salary) to "ease" the transition.

¶4. (C) Hyun characterized North Korea's currency revaluation as an attempt to curb the rapid growth of unofficial markets and undercut the growing political clout of the nouveau riche. Echoing what we have heard elsewhere (reftel), Hyun claimed the DPRK authorities began printing the new bank notes as early as 2002 in anticipation of having to replace the DPRK currency. The regime considered introducing the new notes in 2008, but the move was sidelined when Kim Jong-il suffered a stroke. Hyun predicted that the currency revaluation would have a very negative effect on North Korean economy in the long run.

Food Aid -----

¶5. (C) Noting the Blue House's tough stance on food aid to the DPRK, Hyun said that North Korea was not an "African-style failed state" but was better viewed as a failed political system in which a corrupt government with a powerful security apparatus used food as a weapon against its own people, feeding citizens -- or not -- according to their political loyalty. Providing food aid to the North required

stringent monitoring, he argued, adding that both the ROK and the United States needed to be "extra cautious."

Inter-Korean Delegation to Special Economic Zones (SEZ) -----

¶6. (C) The minister related that an inter-Korean economic delegation was now visiting an SEZ in Qingdao, China; he had been "pleasantly surprised" to hear that the North Korean delegation was actually paying attention and asking to see specific factories in Qingdao. Hyun hoped the North Koreans would apply what they learned to improve investment infrastructure in the Kaesong Industrial Complex (KIC). Prior to the trip, the ROK KIC team had emphasized the importance of the "three Cs" -- communications, customs, and (border) crossing, all areas that needed to be improved, Hyun said. Of these, the crossing issues were the most onerous for KIC businesses, he noted. The joint delegation departed on December 12 for an 11-day tour of SEZs in China and Vietnam. The North Korean delegation includes Maeng Kyong-il, a member of the Asia-Pacific Peace Committee who was part of the DPRK delegation to the funeral of ROK President Kim Dae-jung.

North Korean Women as Agents of Change -----

¶7. (C) Minister Hyun agreed with the Ambassador that we needed to think more about the role of women in North Korea, and their potential as agents of change, noting that the vast majority of North Korean workers in the KIC are women, that eighty percent of North Korean defectors coming to the ROK are women, and that women play a large role in the markets and informal economy that has developed in recent years in the DPRK. Hyun hailed DPRK women for having the courage to endure extraordinary hardship while defecting to South Korea and for their leadership in running the unofficial markets that, at least in rural areas, kept people fed in the absence of a functioning public distribution system.

STEPHENS